

**LOUISIANA HOSPITAL ASSOCIATION
AND SUBSIDIARY**

and

**LOUISIANA HOSPITAL ASSOCIATION
RESEARCH AND EDUCATION FOUNDATION**

Audits of Combined Financial Statements

December 31, 2010 and 2009

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 8/3/11

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Independent Auditor's Report

The Board of Trustees
Louisiana Hospital Association and Subsidiary
and Louisiana Hospital Association Research
and Education Foundation

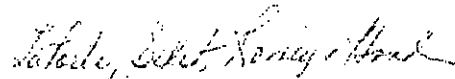
We have audited the accompanying combined statements of financial position of Louisiana Hospital Association and Subsidiary and Louisiana Hospital Association Research and Education Foundation (collectively, the Association) as of December 31, 2010 and 2009, and the related combined statements of activities and cash flows for the years then ended. These combined financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these combined financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of Louisiana Hospital Association and Subsidiary and Louisiana Hospital Association Research and Education Foundation as of December 31, 2010 and 2009, and the changes in their net assets and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated May 2, 2011, on our consideration of Louisiana Hospital Association and Subsidiary and Louisiana Hospital Association Research and Education Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of Louisiana Hospital Association Research and Education Foundation taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



A Professional Accounting Corporation

May 2, 2011

**LOUISIANA HOSPITAL ASSOCIATION AND SUBSIDIARY and
LOUISIANA HOSPITAL ASSOCIATION RESEARCH AND EDUCATION FOUNDATION
Combined Statements of Financial Position
December 31, 2010 and 2009**

	2010	2009
Assets		
Cash and Cash Equivalents	\$ 2,191,525	\$ 2,055,506
Cash - Restricted, HHS Grant	122,212	76,120
Cash - Restricted, AHA Dues	218,315	287,005
Cash - Restricted, Board Designated Public Relations	100,148	150,000
Accounts Receivable - Trade	2,631,309	2,327,466
Accounts Receivable - HHS Grant	133,899	230,261
Due from Metropolitan Hospital Council of New Orleans	55,361	26,767
Due from ShareCor, LLC	28,446	86,643
Other Assets	226,566	50,789
Refundable Income Taxes	-	86,213
Investment in Affiliate	274,197	226,626
Investments	6,678,739	6,335,997
Property and Equipment, Net	1,757,900	1,872,033
Total Assets	\$ 14,418,617	\$ 13,811,426
Liabilities		
Accounts Payable	\$ 205,522	\$ 55,066
Due to Metropolitan Hospital Council of New Orleans	-	1,081
Due to ShareCor, LLC	1,669	4,788
Treasury Payable	443,409	490,006
Withholdings and Benefits Payable	40,953	76,808
Deferred Revenue	3,431,421	3,339,257
Accrued Other	35,264	308,791
Income Tax Payable	31,773	-
Accrued Paid Time Off Benefits	166,016	167,104
Deferred Tax Liability	165,007	81,373
Total Liabilities	4,521,034	4,524,274
Unrestricted Net Assets		
Undesignated	9,797,435	9,137,152
Board Designated for Public Relations	100,148	150,000
Total Net Assets	9,897,583	9,287,152
Total Liabilities and Net Assets	\$ 14,418,617	\$ 13,811,426

The accompanying notes are an integral part of these combined financial statements.

**LOUISIANA HOSPITAL ASSOCIATION AND SUBSIDIARY and
LOUISIANA HOSPITAL ASSOCIATION RESEARCH AND EDUCATION FOUNDATION
Combined Statements of Activities
For the Years Ended December 31, 2010 and 2009**

	2010	2009
Revenues, Gains and Other Support		
Institutional Revenue	\$ 3,217,203	\$ 3,070,548
Non-Institutional Revenue	165,095	153,071
Educational Activities	794,110	781,280
Equity in Income of Affiliate	437,016	379,894
Investment Income	390,005	600,382
Management Fees	583,027	597,284
HHS Grant - Direct Revenue	668,666	738,795
HHS Grant - Indirect Revenue	66,008	73,738
Other Revenue	55,211	126,449
Total Revenues, Gains and Other Support	6,376,341	6,521,441
Expenses		
Program Expenses		
Salaries, Wages and Benefits	2,997,390	2,837,612
Educational Activities	362,892	374,983
HHS Grant Expense	668,664	738,795
Supporting Expenses		
Building, Office and Equipment	232,542	288,005
General and Administrative	213,137	243,357
Insurance	19,750	22,216
Legal and Professional Fees	326,232	369,299
Public Relations	499,852	-
Other Expenses	94,650	121,856
Bad Debt Expense	78,064	57,993
Income Tax Expense (Benefit)	151,363	(44,971)
Depreciation	121,374	143,537
Total Expenses	5,765,910	5,152,682
Change in Net Assets	610,431	1,368,759
Net Assets, Beginning of Year	9,287,152	7,918,393
Net Assets, End of Year	\$ 9,897,583	\$ 9,287,152

The accompanying notes are an integral part of these combined financial statements.

**LOUISIANA HOSPITAL ASSOCIATION AND SUBSIDIARY and
LOUISIANA HOSPITAL ASSOCIATION RESEARCH AND EDUCATION FOUNDATION
Combined Statements of Cash Flows
For the Years Ended December 31, 2010 and 2009**

	2010	2009
Cash Flows Operating Activities		
Change in Net Assets	\$ 610,431	\$ 1,368,759
Adjustments to Reconcile Change in Net Assets to Net Cash (Used in) Provided by Operating Activities		
Depreciation and Amortization	121,374	143,537
Equity in Income of Affiliate	(437,016)	(379,894)
Realized Loss on Sales of Investments	25,369	160,301
Net Unrealized Gain on Investments	(309,719)	(634,415)
Gain on Sale of Assets	-	(75)
Bad Debt Expense	78,064	57,993
Changes in Operating Assets and Liabilities		
Decrease in Cash - Restricted	72,450	165,962
(Increase) Decrease in Accounts Receivable - Trade	(381,907)	295,790
Decrease (Increase) in Accounts Receivable - HHS Grant	96,362	(125,535)
(Increase) Decrease in Due from Metropolitan Hospital Council of New Orleans	(28,594)	13,284
Decrease (Increase) in Due from ShareCor, LLC	58,197	(72,245)
(Increase) Decrease in Other Assets	(175,777)	4,394
Increase (Decrease) in Refundable Income Taxes	86,213	(8,354)
Increase in Accounts Payable	150,456	17,106
Decrease in Due to Metropolitan Hospital Council of New Orleans	(1,081)	(2,071)
Decrease in Due to ShareCor, LLC	(3,119)	(3,182)
Increase in Income Taxes Payable	31,773	-
Decrease in Treasury Payable	(46,597)	(240,601)
(Decrease) Increase in Withholdings and Benefits Payable	(35,855)	5,174
Increase (Decrease) in Deferred Revenue	92,164	(7,784)
Increase in Accrued Paid Time Off Benefits	(1,088)	(3,495)
(Decrease) Increase in Accrued Other	(273,527)	28,990
Increase (Decrease) in Deferred Income Tax Liability	83,634	(36,625)
Decrease in Advances Due to Metropolitan Hospital Council of New Orleans	-	(975)
Decrease in Advances Due to ShareCor, LLC	-	(720)
Net Cash (Used in) Provided by Operating Activities	(187,793)	745,319
Cash Flows from Investing Activities		
Proceeds from Sales of Investments	945,161	28,133
Purchase of Investments	(1,003,553)	(149,481)
Proceeds from Distributions of Earnings in ShareCor, LLC	389,445	357,204
Purchases of Property and Equipment	(7,241)	(58,930)
Net Cash Provided by Investing Activities	323,812	176,926
Net Change in Cash and Cash Equivalents	136,019	922,245
Cash and Cash Equivalents, Beginning of Year	2,055,506	1,133,261
Cash and Cash Equivalents, End of Year	\$ 2,191,525	\$ 2,055,506
Supplemental Disclosure of Cash Flow Information		
Cash Paid During the Year for Taxes	\$ 37,750	\$ -

The accompanying notes are an integral part of these combined financial statements.

**LOUISIANA HOSPITAL ASSOCIATION AND SUBSIDIARY and
LOUISIANA HOSPITAL ASSOCIATION RESEARCH AND EDUCATION FOUNDATION**

Notes to Combined Financial Statements

Note 1. Organization and Significant Accounting Policies

Nature of Activities

The accompanying combined financial statements include the accounts of the following Louisiana not-for-profit entities:

<u>Corporation</u>	<u>Income Tax Status</u>
Louisiana Hospital Association (LHA)	Exempt-Sec. 501(c)(6)
Louisiana Hospital Association Research and Education Foundation (Foundation)	Exempt-Sec. 501(c)(3)

LHA includes the accounts of its wholly-owned subsidiary, Louisiana Hospital Association Management Corporation (LHAMC). LHAMC is a for-profit entity that sponsors educational programs. Revenue and expenses related to continuing education programs are recognized in the period the programs are presented.

All significant inter-organizational accounts and transactions have been eliminated in the combined financial statements.

LHA is a not-for-profit association representing all types of hospitals and healthcare systems throughout the state. LHA carries out its mission by providing services and resources to members through advocacy, education, research, representation and communication. It is governed by a board of trustees whose members are elected annually by the assembly of members. The Foundation was organized for educational and research purposes. The Foundation's board is comprised mainly of members of the board of trustees of LHA.

LHA bills and collects annual membership fees for itself and for the American Hospital Association (AHA). The AHA compensates LHA for billing and collecting AHA dues from Louisiana members. Compensation from the AHA and LHA dues are recognized as revenue in the year covered by the membership dues.

Basis of Accounting

LHA and the Foundation (collectively, the Association) prepare their combined financial statements in accordance with accounting principles generally accepted in the United States of America involving the application of accrual accounting; accordingly, revenues and gains are recognized when earned, and expenses and losses are recognized when incurred.

The Association follows the provisions of Financial Statements of Not-for-Profit Organizations Topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). The Association is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted net assets. At December 31, 2010 and 2009, the Association had no permanently restricted net assets.

**LOUISIANA HOSPITAL ASSOCIATION AND SUBSIDIARY and
LOUISIANA HOSPITAL ASSOCIATION RESEARCH AND EDUCATION FOUNDATION**

Notes to Combined Financial Statements

Note 1. Organization and Significant Accounting Policies (Continued)

Property and Equipment

Property and equipment are presented in the combined statements of financial position on the basis of cost, less allowances for depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Additions, improvements, renewals and expenditures for maintenance that add materially to the productive capacity or extend the lives of assets are capitalized. Other expenditures for maintenance and repairs are charged against income. Upon retirement or disposal of an asset, the asset cost and related accumulated depreciation is removed, and any gain or loss on such a transaction is recorded as other income or expense.

A summary of property and equipment is as follows for the years ended December 31, 2010 and 2009:

	2010	2009
Land	\$ 309,406	\$ 309,406
Buildings	2,137,992	2,137,992
Furniture and Office Equipment	937,361	930,145
	3,384,759	3,377,543
Less: Allowance for Depreciation and Amortization	1,626,859	1,505,510
Total	<u>\$1,757,900</u>	<u>\$1,872,033</u>

Income Taxes

As mentioned above, the combined financial statements include the for-profit entity LHAMC. Income taxes are provided for the tax effects of LHAMC and consist of taxes currently payable plus deferred components.

Cash and Cash Equivalents

For purposes of the combined statements of financial position and the combined statements of cash flows, the Association considers all short-term cash deposits with maturities of three months or less to be cash and cash equivalents. This, however, excludes money market accounts within its investment portfolio that are to be reinvested.

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the combined statements of financial position. Unrealized gains and losses are included in the change in net assets. The unrealized gain or loss on investments is reflected in the combined statements of activities as a component of investment income.

**LOUISIANA HOSPITAL ASSOCIATION AND SUBSIDIARY and
LOUISIANA HOSPITAL ASSOCIATION RESEARCH AND EDUCATION FOUNDATION**

Notes to Combined Financial Statements

Note 1. Organization and Significant Accounting Policies (Continued)

Investment in Affiliate

During 2000, LHA and the Metropolitan Hospital Council of New Orleans, Inc. (the Council) formed ShareCor, LLC (a limited liability company), with each owning a 50% share. Effective January 1, 2003, LHA distributed 25% of its ownership in ShareCor, LLC to LHAMC. Both LHA and LHAMC use the equity method of accounting to account for this investment.

The following is pertinent financial information for ShareCor, LLC as of December 31, 2010 and 2009:

	2010	2009
Balance Sheet		
Assets	<u>\$ 891,320</u>	<u>\$ 750,201</u>
Liabilities	<u>\$ 342,928</u>	<u>\$ 296,948</u>
Equity	<u>548,392</u>	<u>453,253</u>
	<u>\$ 891,320</u>	<u>\$ 750,201</u>
Income Statement		
Revenues	<u>\$ 1,727,190</u>	<u>\$1,584,078</u>
Expenses	<u>853,159</u>	<u>824,289</u>
Net Income	<u>874,031</u>	<u>759,789</u>
	<u>50%</u>	<u>50%</u>
LHA's Share of Net Income	<u>\$ 437,016</u>	<u>\$ 379,894</u>

Accounts Receivable

The Association considers accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts is provided. If amounts become uncollectible, they are charged to operations when that determination is made. The use of this method does not differ materially from the allowance method required by accounting principles generally accepted in the United States of America.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates and such differences may be material to the combined financial statements.

Reclassifications

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

**LOUISIANA HOSPITAL ASSOCIATION AND SUBSIDIARY and
LOUISIANA HOSPITAL ASSOCIATION RESEARCH AND EDUCATION FOUNDATION**

Notes to Combined Financial Statements

Note 1. Organization and Significant Accounting Policies (Continued)

Fair Values of Financial Instruments

The carrying values of the Association's financial instruments, including current assets and current liabilities, approximate fair value.

In 2008, the Association adopted the provisions of the Fair Value Measurements Topic of the FASB ASC. Under the Fair Value Measurements Topic of the FASB ASC, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The Fair Value Measurements Topic of the FASB ASC establishes a fair value hierarchy for inputs used in measuring fair market value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are those that market participants would use in pricing the asset or liability based on the best information available in the circumstances. The fair value hierarchy is categorized into three levels based on the inputs as follows:

Level 1 - Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities as of the reporting date. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these securities does not entail a significant degree of judgment.

Level 2 - Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly, as of the reporting date.

Level 3 - Valuations based on inputs that are unobservable and include situations where there is little, if any, market activity for the investment. The inputs into the determination of fair value require significant management judgment or estimation.

In some instances, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such instances, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement (see Note 10).

The Association's measurements of fair value are made on a recurring basis, and their valuation techniques for assets and liabilities recorded at fair value are as follows:

Investment securities - The fair value of investment securities is the market value based on quoted market prices, when available, or market prices provided by recognized broker dealers. If listed prices or quotes are not available, fair value is based upon externally developed models that use unobservable inputs due to the limited market activity of the investment.

**LOUISIANA HOSPITAL ASSOCIATION AND SUBSIDIARY and
LOUISIANA HOSPITAL ASSOCIATION RESEARCH AND EDUCATION FOUNDATION**

Notes to Combined Financial Statements

Note 2. Restricted Cash

Approximately \$122,000 and \$76,000 of cash was restricted as of December 31, 2010 and 2009, respectively, relating to a grant awarded to the Association. In addition, approximately \$218,000 and \$287,000 of cash was restricted as of December 31, 2010 and 2009, respectively, relating to the collection of AHA dues. Corresponding liabilities are included in total within treasury payable on the combined statements of financial position.

LHA also has \$100,148 and \$150,000 of cash restricted as board designated funds at December 31, 2010 and 2009, respectively.

Note 3. Investments

The cost and fair values of investments at December 31, 2010, are as follows:

	Fair Value	Cost
Government Securities	\$ 2,264,901	\$ 2,224,234
Stocks	486,454	404,053
Money Market Deposits for Reinvesting	568,578	576,269
Alternative Investments	1,030,720	1,032,800
Corporate Bonds	509,824	492,716
Mutual Funds	1,818,262	1,675,064
Total	<u>\$ 6,678,739</u>	<u>\$ 6,405,136</u>

The cost and fair values of investments at December 31, 2009, are as follows:

	Fair Value	Cost
Government Securities	\$ 2,506,864	\$ 2,454,676
Stocks	418,131	412,053
Money Market Deposits for Reinvesting	528,503	522,281
Alternative Investments	962,593	1,027,947
Corporate Bonds	641,568	629,532
Mutual Funds	1,278,338	1,299,511
Total	<u>\$ 6,335,997</u>	<u>\$ 6,346,000</u>

**LOUISIANA HOSPITAL ASSOCIATION AND SUBSIDIARY and
LOUISIANA HOSPITAL ASSOCIATION RESEARCH AND EDUCATION FOUNDATION**

Notes to Combined Financial Statements

Note 3. Investments (Continued)

The following table summarizes investment income (loss) for the years ended December 31, 2010 and 2009:

	2010	2009
Net Unrealized Gain on Investments	\$ 309,719	\$ 634,415
Realized Loss on Sales of Investments	(25,369)	(160,301)
Dividend and Interest Income, Net of Fees	<u>105,655</u>	<u>126,268</u>
Investment Income	<u>\$ 390,005</u>	<u>\$ 600,382</u>

Note 4. Employee Benefit Plan and Other Employee Benefits

In 2003, LHA implemented a multiple-employer 401(k) retirement plan. LHA contributes 10% of each employee's compensation to the 401(k) retirement plan. Additionally, LHA contributes an extra percentage of gross compensation for employees included in designated groups. These designated groups are identified by the employee's classification and length of service. LHA made contributions of \$328,203 and \$329,680, to the 401(k) retirement plan during 2010 and 2009, respectively.

During 2007, the Association established a 457(f) Supplemental Retirement Plan. This Plan is a non-qualified deferred compensation arrangement, giving the Association an opportunity to supplement the CEO's retirement income. With its adoption of a targeted funding for retirement, the Association is projected to make annual contributions through 2016. For the years ended December 31, 2010 and 2009, respectively, the Association incurred an expense of \$69778, in its funding of the Plan.

LHA has a paid time off (PTO) policy, which provides PTO benefits to employees based on classification and length of service. In 2009, employees were allowed to carry over a maximum of eighty-five percent of the total current annual PTO earnings and in 2010 the maximum was reduced to seventy-five percent of the total current annual PTO earnings. Upon termination of employment or retirement, the unused PTO benefits are payable at a maximum amount equal to seventy-five percent of the total current annual PTO earning capacity. LHA has accrued \$166,016 and \$167,104, as of December 31, 2010 and 2009, respectively, in accordance with the provisions of this policy. The amount accrued is included as a component of accrued paid time off benefits on the combined statements of financial position.

**LOUISIANA HOSPITAL ASSOCIATION AND SUBSIDIARY and
LOUISIANA HOSPITAL ASSOCIATION RESEARCH AND EDUCATION FOUNDATION**

Notes to Combined Financial Statements

Note 5. Related Party Transactions

The Association performs services, conducts educational programs and conferences, and administers grants and contracts. Substantially all of the revenue, related expenses, accounts receivable and accounts payable from these activities results from transactions with its owner-members.

As mentioned in Note 1, LHA and LHAMC own a combined 50% of the common stock of ShareCor, LLC. The Association provides management and administrative support services to both ShareCor, LLC and the Council. Management fee revenue recorded by the Association in 2010 and 2009 from ShareCor totaled \$90,000 and \$80,000, respectively. Accounting fee revenue recorded by the Association in 2010 and 2009 from ShareCor totaled \$44,000 and \$42,000, respectively. Contract revenue recognized in 2010 and 2009 by the Association from ShareCor totaled \$1,800 and \$2,150, respectively. Management fee revenue recorded by the Association in 2010 and 2009 from the Council totaled \$417,627 and \$448,284, respectively. Accounting fee revenue recorded by the Association in 2010 and 2009 from the Council totaled \$29,000 and \$27,000, respectively. Contract revenue recognized in 2010 and 2009 by the Association from the Council totaled \$600.

As of December 31, 2010 and 2009, the net amount due from ShareCor was \$26,777 and \$81,855, respectively. These net receivables are included as due to and due from ShareCor, LLC on the Association's combined statements of financial position.

Effective January 1, 2009, ShareCor entered into a rental agreement with LHA for office space in LHA's Annex building located at 2324 Weymouth Drive. The rental income recognized is \$8,000 per year and will remain in effect unless both parties agree to amend the annual rent amount.

As of December 31, 2010 and 2009, the net amount due from the Council was \$55,361 and \$25,686, respectively.

Note 6. Related Party Note

During 2007, the Association purchased land. On March 5, 2008, the Association sold the land to LHAMC for the purpose of constructing a Conference Center. The Conference Center was completed and put into operation in December 2008.

During 2009, LHA permanently financed the Conference Center with LHAMC. The promissory note totaled \$550,000, bearing interest at a rate of 5% per annum from the date until paid, paid in equal installments of \$3,630 per month, due on the first day of each month commencing June 1, 2009, and with one final installment of all unpaid principal and interest due and payable on May 1, 2014. These transactions have been appropriately eliminated in consolidation.

**LOUISIANA HOSPITAL ASSOCIATION AND SUBSIDIARY and
LOUISIANA HOSPITAL ASSOCIATION RESEARCH AND EDUCATION FOUNDATION**

Notes to Combined Financial Statements

Note 7. Income Taxes and Deferred Income Taxes

The income tax (benefit) expense reported within these statements is summarized as follows:

Provision	2010	2009
Current		
Federal	\$ 64,541	\$ 2,066
State	3,188	(10,412)
Deferred	83,634	(36,625)
Total Provision	<u>\$ 151,363</u>	<u>\$ (44,971)</u>

LHAMC's effective tax rate is different than what would be expected if the statutory rates were applied to net income before income taxes primarily because of expenses deductible for financial reporting purposes that are not deductible for tax purposes.

The components of the deferred tax are as follows as of:

	2010	2009
Deferred Liability		
Depreciation	<u>\$ 165,007</u>	<u>\$ 81,373</u>
Net Deferred Liability	<u>\$ 165,007</u>	<u>\$ 81,373</u>

Note 8. Leases

The Association leases three copiers under operating leases expiring September 2015. The terms of these leases include minimum monthly payments totaling \$2,584, \$1,040, and \$418 for a period of 72 months.

Minimum future rental payments under non-cancelable operating leases as of December 31, 2010, are as follows:

December 31,	Amount
2011	\$ 48,507
2012	48,507
2013	48,507
2014	48,507
2015	<u>36,380</u>
Total	<u>\$ 230,408</u>

**LOUISIANA HOSPITAL ASSOCIATION AND SUBSIDIARY and
LOUISIANA HOSPITAL ASSOCIATION RESEARCH AND EDUCATION FOUNDATION**

Notes to Combined Financial Statements

Note 8. Leases (Continued)

The Association's expense for both the lease and maintenance of the above copiers totaled \$53,627 and \$57,030, for the years ended December 31, 2010 and 2009, respectively.

Note 9. Risk Concentration

One source of income for the Association is the management fee received from ShareCor, LLC. ShareCor, LLC's primary source of income is from an ongoing participation in a group-repurchasing program. Even though management feels the revenue stream will continue for the foreseeable future, ShareCor, LLC has no control of the participants in the group-repurchasing program.

The Association periodically maintains cash in bank accounts in excess of insured limits. The Association has not experienced any losses and does not believe that significant credit risk exists as a result of this practice. In addition, \$3,926,394 in securities has been pledged as collateral by the financial institution holding these deposits to secure the excess over the federally insured limit.

Note 10. Fair Value Measurements

The Association's assets and liabilities recorded at fair value have been categorized based upon a fair value hierarchy in accordance with the provisions of the Fair Value Measurement Topic of the FASB ASC. See Note 1 for a description of the Association's policies and valuation techniques.

The valuation of the Association's assets and liabilities measured at fair value on a recurring basis at December 31, 2010 are as follows:

Assets	Level 1	Level 2	Level 3	Net Balance
Marketable Stocks	\$ 486,454	\$ -	\$ -	\$ 486,454
Corporate Bonds	509,824	-	-	509,824
Government Securities	2,264,901	-	-	2,264,901
Money Market Deposits	568,578	-	-	568,578
Mutual Funds	1,818,262	-	-	1,818,262
Non-Marketable Investments	-	-	1,304,917	1,304,917
Total	\$ 5,161,565	\$ -	\$ 1,304,917	\$ 6,952,936

**LOUISIANA HOSPITAL ASSOCIATION AND SUBSIDIARY and
LOUISIANA HOSPITAL ASSOCIATION RESEARCH AND EDUCATION FOUNDATION**

Notes to Combined Financial Statements

Note 10. Fair Value Measurements (Continued)

The changes in investments measured at fair value for which the Association has used Level 3 inputs to determine fair value are as follows:

Assets	Level 3 Beginning Balance	Net Realized and Unrealized Gains (Losses)	Net Purchases and Sales	Net Transfers in (out) of Level 3	Level 3 Ending Balance
Investments	\$ 1,189,219	\$ 115,698	\$ -	\$ -	\$ 1,304,917
Total	\$ 1,189,219	\$ 115,698	\$ -	\$ -	\$ 1,304,917

The valuation of the Association's assets and liabilities measured at fair value on a recurring basis at December 31, 2009 are as follows:

Assets	Level 1	Level 2	Level 3	Net Balance
Investments	\$ 5,373,404	\$ -	\$ 1,189,219	\$ 6,562,623
Total	\$ 5,373,404	\$ -	\$ 1,189,219	\$ 6,562,623

The changes in investments measured at fair value for which the Association has used Level 3 inputs to determine fair value are as follows:

Assets	Level 3 Beginning Balance	Net Realized and Unrealized Gains (Losses)	Net Purchases and Sales	Net Transfers in (out) of Level 3	Level 3 Ending Balance
Investments	\$ 1,134,264	\$ 54,955	\$ -	\$ -	\$ 1,189,219
Total	\$ 1,134,264	\$ 54,955	\$ -	\$ -	\$ 1,189,219

Note 11. Uncertain Tax Position

For the year ended December 31, 2009, the Association adopted the provisions of the Accounting for Uncertainty in Income Taxes Topic of the FASB ASC. The implementation of the Accounting for Uncertainty in Income Taxes had no impact on the Association's combined statements of financial position or activities.

**LOUISIANA HOSPITAL ASSOCIATION AND SUBSIDIARY and
LOUISIANA HOSPITAL ASSOCIATION RESEARCH AND EDUCATION FOUNDATION**

Notes to Combined Financial Statements

Note 11. Uncertain Tax Position (Continued)

All tax returns have been appropriately filed by the Association. The Association recognizes interest and penalties, if any, related to unrecognized tax benefits in income tax expense. The Association's tax filings are subject to audit by various taxing authorities. The Association's open audit periods are 2007 through 2009. Management evaluated the Association's tax positions and concluded that the Association had taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance.

Note 12. Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued May 2, 2011, and determined that no events occurred that require disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.



Independent Auditor's Report on Supplementary Information

To the Board of Trustees
Louisiana Hospital Association and Subsidiary
and Louisiana Hospital Association Research
and Education Foundation

Our report on our audits of the basic combined financial statements of Louisiana Hospital Association and Subsidiary and Louisiana Hospital Association Research and Education Foundation for the years ended December 31, 2010 and 2009 appears on page 1. Our audits were made for the purpose of forming an opinion on the basic combined financial statements taken as a whole. The combining statements of activities are presented for the purpose of additional analysis and are not a required part of the basic combined financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic combined financial statements, and, in our opinion, is fairly stated in all material respects in relation to the basic combined financial statements taken as a whole.

A Professional Accounting Corporation

May 2, 2011

**LOUISIANA HOSPITAL ASSOCIATION AND SUBSIDIARY and
LOUISIANA HOSPITAL ASSOCIATION RESEARCH AND EDUCATION FOUNDATION
Combining Statement of Activities
For the Year Ended December 31, 2010**

	Louisiana Hospital Association Consolidated	Louisiana Hospital Association Research and Education Foundation	Combined
Revenues, Gains and Other Support			
Institutional Revenue	\$ 3,217,203	\$ -	\$ 3,217,203
Non-Institutional Revenue	165,095	-	165,095
Educational Activities	794,110	-	794,110
Equity in Income of Affiliate	437,016	-	437,016
Investment Income	382,868	7,137	390,005
Management Fees	583,027	-	583,027
HHS Grant - Direct Revenue	-	668,666	668,666
HHS Grant - Indirect Revenue	-	66,008	66,008
Other Revenue	55,211	-	55,211
Total Revenues, Gains and Other Support	5,634,530	741,811	6,376,341
Expenses			
Program Expenses			
Salaries, Wages and Benefits	2,986,125	11,265	2,997,390
Educational Activities	362,892	-	362,892
HHS Grant Expense	-	668,664	668,664
Supporting Expenses			
Building, Office and Equipment	232,542	-	232,542
General and Administrative	212,642	495	213,137
Insurance	19,750	-	19,750
Legal and Professional Fees	323,132	3,100	326,232
Public Relations	499,852	-	499,852
Other Expenses	94,650	-	94,650
Bad Debt Expense	78,064	-	78,064
Income Tax Expense	151,363	-	151,363
Depreciation	120,458	916	121,374
Total Expenses	5,081,470	684,440	5,765,910
Change in Net Assets	\$ 553,060	\$ 57,371	\$ 610,431

See independent auditor's report on supplementary information.

**LOUISIANA HOSPITAL ASSOCIATION AND SUBSIDIARY and
LOUISIANA HOSPITAL ASSOCIATION RESEARCH AND EDUCATION FOUNDATION
Combining Statement of Activities
For the Year Ended December 31, 2009**

	Louisiana Hospital Association Consolidated	Louisiana Hospital Association Research and Education Foundation	Combined
Revenues, Gains and Other Support			
Institutional Revenue	\$ 3,070,548	\$ -	\$ 3,070,548
Non-Institutional Revenue	153,071	-	153,071
Educational Activities	781,280	-	781,280
Equity in Income of Affiliate	379,894	-	379,894
Investment Income	584,214	16,168	600,382
Management Fees	597,284	-	597,284
HHS Grant - Direct Revenue	-	738,795	738,795
HHS Grant - Indirect Revenue	-	73,738	73,738
Other Revenue	126,449	-	126,449
Total Revenues, Gains and Other Support	5,692,740	828,701	6,521,441
Expenses			
Program Expenses			
Salaries, Wages and Benefits	2,827,473	10,139	2,837,612
Educational Activities	374,983	-	374,983
HHS Grant Expense	-	738,795	738,795
Supporting Expenses			
Building, Office and Equipment	242,331	45,674	288,005
General and Administrative	242,603	754	243,357
Insurance	22,216	-	22,216
Legal and Professional Fees	369,299	-	369,299
Public Relations	-	-	-
Other Expenses	121,856	-	121,856
Bad Debt Expense	57,993	-	57,993
Income Tax Expense	(44,971)	-	(44,971)
Depreciation	142,697	840	143,537
Total Expenses	4,356,480	796,202	5,152,682
Change in Net Assets	\$ 1,336,260	\$ 32,499	\$ 1,368,759

See independent auditor's report on supplementary information.



**Independent Auditor's Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

The Board of Trustees
Louisiana Hospital Association and Subsidiary
and Louisiana Hospital Association Research
and Education Foundation

We have audited the combined financial statements of Louisiana Hospital Association and Subsidiary and Louisiana Hospital Association Research and Education Foundation (collectively, the Association), as of and for the year ended 10, and have issued our report thereon dated May 2, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Association's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Association's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Association's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the partners, management and the Louisiana Legislative Auditors, and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:573, this report is distributed by the legislative auditor as public document.

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A Professional Accounting Corporation

May 2, 2011

**LOUISIANA HOSPITAL ASSOCIATION RESEARCH AND
EDUCATION FOUNDATION**

**Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2010**

FEDERAL GRANTOR/PASS-THROUGH GRANTOR/ PROGRAM TITLE	Federal CFDA Number	Total Expenditures
<hr/> MAJOR PROGRAMS <hr/>		
Department of Health and Human Services		
Passed Through State of Louisiana Department of Health and Hospitals		
Hospital Preparedness Program (HHS)	93.889	<u>\$ 4,327,909</u>
Total Major Programs		<u><u>\$ 4,327,909</u></u>

**LOUISIANA HOSPITAL ASSOCIATION RESEARCH AND
EDUCATION FOUNDATION**

**Notes to Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2010**

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Louisiana Hospital Association Research and Education Foundation and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements on OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the basic financial statements.

Note 2. Sub Recipients

Of the federal expenditures presented in the schedule, the Foundation provided federal awards to sub recipients as follows:

Program Title	Federal CFDA Number	Amounts Provided to Subrecipients
Hospital Preparedness Program (HHS)	93.889	<u>\$ 3,659,245</u>



**Independent Auditor's Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an Audit
of Financial Statements Performed in Accordance
with *Government Auditing Standards***

To the Board of Trustees
Louisiana Hospital Association Research
and Education Foundation

We have audited the financial statements of Louisiana Hospital Association Research and Education Foundation, as of and for the year ended December 31, 2010, and have issued our report thereon dated May 2, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Louisiana Hospital Association Research and Education Foundation's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Louisiana Hospital Association Research and Education Foundation's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control over financial reporting.

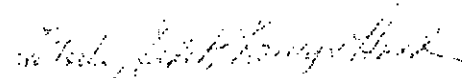
A deficiency in internal control exists when the design or operations of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Louisiana Hospital Association Research and Education Foundation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information of management, the Board of Trustees of Louisiana Hospital Association Research and Education Foundation and federal awarding agencies and pass-through entities, and is not intended to be, and should not be, used by anyone other than these specified parties.



A Professional Accounting Corporation

May 2, 2011



Independent Auditor's Report on Compliance with Requirements that Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133

To the Board of Trustees
Louisiana Hospital Association Research
and Education Foundation

Compliance

We have audited the compliance of Louisiana Hospital Association Research and Education Foundation with the types of compliance requirements described in the *United States Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on its major federal programs for the year ended December 31, 2010. Louisiana Hospital Association Research and Education Foundation's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Louisiana Hospital Association Research and Education Foundation's management. Our responsibility is to express an opinion on Louisiana Hospital Association Research and Education Foundation's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Louisiana Hospital Association Research and Education Foundation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Louisiana Hospital Association Research and Education Foundation's compliance with those requirements.

In our opinion, Louisiana Hospital Association Research and Education Foundation complied, in all material respects, with the requirements referred to above that could have a direct and material effect on its major federal programs for the year ended December 31, 2010.

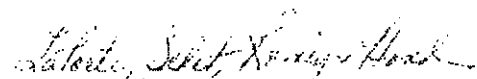
Internal Control Over Compliance

The management of Louisiana Hospital Association Research and Education Foundation is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Louisiana Hospital Association Research and Education Foundation's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Louisiana Hospital Association Research and Education Foundation's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the Board of Trustees of Louisiana Hospital Association Research and Education Foundation, cognizant agency, federal awarding agencies and pass-through entities, and is not intended to be, and should not be, used by anyone other than these specified parties



A Professional Accounting Corporation

May 2, 2011

**LOUISIANA HOSPITAL ASSOCIATION RESEARCH AND
EDUCATION FOUNDATION**

**Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2010**

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of Louisiana Hospital Association Research and Education Foundation.
2. No significant deficiencies relating to the audit of the financial statements of Louisiana Hospital Association Research and Education Foundation were disclosed during the audit.
3. No instances of noncompliance material to the financial statements of Louisiana Hospital Association Research and Education Foundation were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal award programs are reported in the Report on Compliance with Requirements that Could Have a Direct and Material Effect on Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133.
5. The auditor's report on compliance for the major federal award programs for Louisiana Hospital Association Research and Education Foundation expresses an unqualified opinion.
6. Audit findings relative to the major federal award programs for Louisiana Hospital Association Research and Education Foundation are reported in Part C of this Schedule.
7. The programs tested as major programs included:

<u>PROGRAM</u>	<u>CFDA No.</u>
Hospital Preparedness Program	93.889
8. The threshold for distinguishing Types A and B programs was \$300,000.
9. Louisiana Hospital Association Research and Education Foundation was determined to be a low-risk auditee.

B. FINDINGS - FINANCIAL STATEMENT AUDIT

None noted.

**C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS
AUDIT**

None noted.

**LOUISIANA HOSPITAL ASSOCIATION RESEARCH AND
EDUCATION FOUNDATION**

**Status of Prior Year Audit Findings
For the Year Ended December 31, 2010**

Prior Year Audit Findings

None